



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Nicolet Bankshares, Inc./Nicolet National Bank

Person to be contacted regarding this report:	Ann K. Lawson, CFO
CPP Funds Received:	\$14,964,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	12/23/2008
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	57038
City:	Green Bay
State:	Wisconsin

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	We've had opportunities to lend in our markets, including to customers of other troubled banks whose liquidity or capital is tight. Many customers have, however, delevered or slowed hiring/expanding. Thus, net loan growth between YE08 to YE09 was \$9.6 million (2%) to \$492 million at YE09.
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<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Please refer to the second-to-last response box where we have enumerated a conservative estimate of funds used or earmarked for lending. Such volumes were from 2009 gross activity.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	
<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	

<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Consistent with our application, in addition to lending, planned use of CPP funds was to expand our franchise likely via troubled banks or branches within rational geography & pricing. We've participated in various due diligence efforts, though nothing is signed as of this response.

What actions were you able to avoid because of the capital infusion of CPP funds?

Because we both obtained \$14,964,000 of CPP funds in December 2008 and were successful with a \$9.5 million Tier 1 common capital raise also in December 2008, we avoided forced capital raises in 2009 which proved to be a less favorable (difficult, costly, unpopular) capital markets environment for banks in general.

Also, with the inclusion of the 2008 capital raises, our capital and risk-based capital ratios are stronger; thus, we have avoided significant regulator criticism relative to capital ratios or other ratios involving capital (such as those linked to asset quality).

Finally, our operating style, with or without the late 2008 capital raises, has always been to address asset quality issues very directly, real time, and to work through those issues with our customers. Having this higher capital already in place has allowed us to not only continue to originate new and extend renewed credit facilities, but also to deal with individual customer issues one-on-one and not have the balance sheet of the bank dictate our customer relationship activity (which does not appear to be the case with our larger competitors).

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

With the CPP funds and our own Tier 1 capital raise both in December 2008, we have been evaluating certain potential branch or institution acquisitions. Such potential acquisition activity, without the capital already raised, might not have been considered at all or would have had to be considered in light of executing capital raises under a more costly, less favorable capital markets environment.

Carryover Comment from Box #2 above, regarding "extent the funds supported increased lending":

Consistent with our application, one of the planned uses of the CPP funds was to support economic expansion and lending needs in our communities, through organic loan growth or via displaced borrowers of other institutions. During 2009 a conservative estimate of funds used or earmarked for lending included:

A) originated or committed to originate \$284 million in new loans (of which \$122 million were residential mortgage loans originated for sale into secondary markets, \$42 million were consumer in nature (residential, home equity, other consumer), \$78 million were commercial loans, and \$42 million were new commercial lines of credit);

B) renewed \$360 million in credit to existing customers (of which \$12 million was consumer in nature, \$142 million were commercial loans, and \$205 million were commercial lines);

C) supported two local bank holding companies (\$3 million line renewed to one, \$5 million new line to another; both already in A or B above); and

D) repurchased \$6 million of our participations sold.

The volumes noted above were 2009 gross activity and may or may not represent outstanding loan balances at 12.31.09, due to subsequent loan amortization, payoffs, paydowns, partial or non-use of credit lines, and/or sales (secondary mortgage markets, participant banks) during 2009.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

NOTE: TEXT WRAPPING is not working in this final response box (thus, used box above for carryover comment from Box #2).

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.